

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

<b>(1) DEPARTMENT</b> Auditor - Controller	<b>(2) MEETING DATE</b> 4/17/2012	<b>(3) CONTACT/PHONE</b> Mike Cannon, 781-5040	
<b>(4) SUBJECT</b> Submittal of a cash procedures review of the Planning and Building Department conducted on December 22, 2011.			
<b>(5) RECOMMENDED ACTION</b> It is recommended that the Board receive the item and file.			
<b>(6) FUNDING SOURCE(S)</b> N/A	<b>(7) CURRENT YEAR FINANCIAL IMPACT</b> \$0.00	<b>(8) ANNUAL FINANCIAL IMPACT</b> \$0.00	<b>(9) BUDGETED?</b> N/A
<b>(10) AGENDA PLACEMENT</b> <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Board Business (Time Est. _____)			
<b>(11) EXECUTED DOCUMENTS</b> <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A		<b>(12) BUDGET ADJUSTMENT REQUIRED?</b> BAR ID Number: N/A <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
<b>(13) OUTLINE AGREEMENT REQUISITION NUMBER (OAR)</b> N/A		<b>(14) W-9</b> <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	
<b>(15) LOCATION MAP</b> N/A	<b>(16) BUSINESS IMPACT STATEMENT?</b> No	<b>(17) AGENDA ITEM HISTORY</b> <input type="checkbox"/> N/A   Date July 15, 2008	
<b>(18) ADMINISTRATIVE OFFICE REVIEW</b>  <i>Nikki J. Schmidt</i>			
<b>(19) SUPERVISOR DISTRICT(S)</b> All Districts -			

## County of San Luis Obispo



TO: Board of Supervisors

FROM: Gere W. Sibbach, Auditor - Controller

DATE: 4/17/2012

SUBJECT: Submittal of a cash procedures review of the Planning and Building Department conducted on December 22, 2011.

### **RECOMMENDATION**

It is recommended that the Board receive the item and file.

### **DISCUSSION**

Cash handling can be an area vulnerable to mistakes or misappropriation. The Auditor-Controller has developed policies to minimize the risk associated with use of change funds and petty cash as well as cash receipts. The objective of our review was to determine compliance with the County Auditor-Controller's Cash Handling Policy and to establish accountability for the cash on hand at the time of the count.

### **OTHER AGENCY INVOLVEMENT/IMPACT**

None.

### **FINANCIAL CONSIDERATIONS**

There is no additional cost to the County for conducting unannounced cash reviews. Periodic unannounced cash reviews are a part of the Auditor-Controller's compliance with Government Code 26881 and 26883.

### **RESULTS**

We determined the cash fund and cash receipts on hand, in all material respects, to be in balance at the time of the cash count. The Planning Department is in general compliance with the Cash Handling Policy except as outlined in the attached cash procedures review report. The Planning Department agrees with our report and has included a response to the specific findings.

The Auditor-Controller's program of periodic unannounced reviews of cash procedures helps maintain and improve internal controls and procedures for cash handling by County staff and contributes to the County's vision of a well-governed community.

### **ATTACHMENTS**

1. Planning Department Cash Review 2012 Final Report
2. Planning Department Response

# County of San Luis Obispo

## Office of the Auditor-Controller

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San Luis Obispo, California 93408  
(805) 781-5040 FAX (805) 781-1220



**GERE W. SIBBACH, CPA**

JAMES P. ERB, CPA, Assistant

LYDIA CORR, CPA, Deputy

JAMES HAMILTON, CPA, Deputy

Email [auditor@co.slo.ca.us](mailto:auditor@co.slo.ca.us)

TO: JASON GIFFEN, PLANNING AND BUILDING DIRECTOR

FROM: GERE SIBBACH, AUDITOR-CONTROLLER

VIA: JAMES P. ERB, ASSISTANT AUDITOR-CONTROLLER

DATE: MARCH 13, 2012

SUBJECT: CASH PROCEDURES REVIEW OF PLANNING AND BUILDING DEPARTMENT  
CONDUCTED ON DECEMBER 22, 2011.

Our office completed a cash review of the Planning and Building Department on December 22, 2011. Please respond to the Findings and Recommendations within 10 business days of receiving this report. The response should include the corrective action the Planning and Building Department will be making to satisfy the Findings and Recommendations.

### Purpose

The purpose of our review was to determine compliance with the County Cash Handling Policy and to establish accountability for the cash on hand at the time of the count.

### Scope

Our review included physically counting all cash on hand for December 22, 2011 and reconciling the amount to the department's accountability figures. We also examined cash receipts and compared these amounts to the corresponding receipt totals and to the subsequent deposit. Our review also included an evaluation of internal controls over cash receipts. Our evaluation of internal controls was limited to inquiries of departmental staff and direct observations.

### Results

We determined all cash funds and cash receipts on hand, in all material respects, to be in balance at the time of our count, and that the department is in general compliance with the Cash Handling Policy with the exceptions noted in the Findings and Recommendations section of this report below. Findings are issues which present a serious enough risk to require consideration by management and a written department response.

In addition, during our fieldwork we identified an area where improvement could be made, and we immediately provided the Department with suggestions for making the improvement which is discussed in the Suggested Improvements section. Suggestions for improvement are made for issues that the auditor considers not to be of an immediate serious nature and/or for issues which the department is able to correct at the time of the audit. Unlike formal audit findings, written departmental responses are not required for these issues.

## **Findings & Recommendations**

### **1. Petty Cash Receipt Not Marked "PAID"**

We found one of three petty cash receipts reviewed was not marked "PAID". The County Auditor-Controller's Cash Handling Policy requires all receipts for reimbursements be marked "PAID" when reimbursement is made to reduce the risk of misappropriation. The petty cash custodian neglected to mark the receipt in error, resulting in an increased risk of multiple reimbursements and funds being misappropriated.

**Recommendation:** The petty cash custodian must mark all petty cash receipts "PAID" at the time reimbursement is made.

### **2. Reimbursements Not Authorized**

The three petty cash reimbursements sampled were not approved by a supervisor. The petty cash custodian approved, disbursed, documented and reconciled all of the expenditures. Prudent management practices and strong internal controls require that a supervisor who is not the petty cash custodian approve requests for petty cash disbursements. The petty cash custodian did not solicit the supervisor for approval prior to disbursing monies from the petty cash fund. This resulted in an increased risk for unnecessary and/or unauthorized charges to the fund.

**Recommendation:** A supervisor who is not the petty cash custodian must sign the petty cash voucher verifying that requests for petty cash funds have been approved.

### **3. Food Purchased with Petty Cash Funds**

We found that petty cash funds were used to purchase food items. The County Auditor-Controller's Cash Handling Policy prohibits the use of petty cash funds for purchasing food items without a specific waiver from the Auditor-Controller. The custodian indicated that the Planning Department was required by the State to furnish snacks at an Energy Booth. Purchasing food items without proper authorization increases the risk of misappropriation.

**Recommendation:** The Planning Department should not buy food without the permission of the Auditor-Controller. Food should be bought through regular purchasing channels whenever possible and should not be reimbursed from petty cash without the express permission of the Auditor-Controller.

### Suggested Improvements

#### 1. Staff Certification of Cash Handling Policy

Not all cash handling staff had certified in writing that they have read the County Auditor-Controller's Cash Handling Policy (Policy). The Policy is required reading for all staff who handle cash. A new employee had transferred into the Department and had not signed the Policy at the time of the cash review. Written acknowledgement by County employees that they have read the Policy helps ensure consistent Countywide procedures for cash handling. Cash handling staff must read the County Auditor-Controller's Cash Handling Policy and certify in writing they have read the policy. Subsequent to fieldwork, we received verification that the new employee has read the cash handling policy.

We appreciate the courteous attitude of your staff and the cooperation we received during the course of our review.



SAN LUIS OBISPO COUNTY  
DEPARTMENT OF PLANNING AND BUILDING

March 27, 2012

Gere Sibbach, CPA  
Auditor-Controller Office  
County Government Center  
San Luis Obispo, Ca 93408

Dear Mr. Sibbach:

I want to thank Mike Cannon and Matt Purkiss, for the courteous and efficient manner in which they handled the annual cash handling procedure review of December 22, 2011. My staff and I sincerely appreciate their helpfulness along with Kerry Baily and Jim Erb in suggesting ways to strengthen our internal controls.

In response to your letter of March 13, 2012, the Planning and Building Department will be implementing the following:

PETTY CASH RECEIPT NOT MARKED "PAID"

Recommendation

The petty cash custodian must mark all petty cash receipts "PAID" at the time reimbursement is made.

Response

The department has reviewed this requirement with the petty cash custodian.

REIMBURSEMENT NOT AUTHORIZED

Recommendation

A supervisor who is not the petty cash custodian must sign the petty cash voucher verifying that requests for petty cash funds have been approved.

Response

After the Department downsized, the designated petty cash custodian was inadvertently the same person previously designated as the supervisor. This has been corrected and a different person has been designated as the custodian to create the separation to enhance adequate control over petty cash expenditures.

## FOOD PURCHASED WITH PETTY CASH FUNDS

### Recommendation

The Planning Department should not buy food without the permission of the Auditor-Controller. Food should be bought through regular purchasing channels whenever possible and should not be reimbursed from petty cash without the express permission of the Auditor-Controller.

### Response

The Planning and Building Department recently were awarded local grants to market energy programs in partnership with the utility companies. As part of the marketing programs, food is purchased for energy education & programs booths. The Department has since discussed these grants with the Auditor-Controller's office. The Department has established purchase orders to help facilitate the purchase of items using an appropriate method. The Department will no longer purchase food using petty cash.

## STAFF CERTIFICATION OF CASH HANDLING POLICY

### Response

All staff responsible for cash handling has now signed the certification.

We appreciate your staff's feedback and their ability to help us improve safeguards for the county and staff. Their work with us on how to better use the county system from a marketing aspect is invaluable. Through their positive attitude we are able to function in ways that are more efficient for everyone. Thanks again for your assistance.

Sincerely,

  
Jason Giffen  
Planning Director